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September 3, 2013 ***Sent via US Fed Ex and E-mail***

Ted Bench, Planner III
San Luis Obispo County Planning Dept.
976 Osos Street, Room 300
San Luis Obispo, CA 93408

Re: Proposed conversion of Mesa Dunes Estates Manufactured Home Park, Arroyo Grande, to a resident owned condominium subdivision.

Dear Mr. Bench:

The Mesa Dunes Homeowners' Association (the Association) has retained my office to represent them in responding to the proposed conversion of Mesa Dunes Manufactured Home Park in Arroyo Grande (the Park). The Association is currently opposed to the conversion because the manner in which it has been presented to the homeowners in the Park and the manner in which the Park owner unlawfully conducted his attempted "Survey of Residents" has led the Association to believe that the conversion is an attempt to merely preempt local rent control rather than to sell the lots to the residents of the Park at prices that they can afford. The Park owner's actions have convinced the Association that he is pursuing this conversion merely so he can use the subdivision process to preempt local rent control and transfer the in-place market value of the homes to their lots in order to increase the value of the Park so he can then sell the Park, as a whole, to a future park owner or sell individual lots to outside purchasers many years into the future. In fact, the Park owner's two representatives who recently promoted the conversion to the Park's residents even wrote an article in a park owners' political organization's, the Western Manufactured Home Association (WMA), newsletter urging park owners to use conversions to eliminate local rent control in their parks so they could later, many years in the future either sell their parks at a higher price (due to the elimination of local rent control) to a new park owner or sell its lots to outside purchasers who could afford the higher priced lots, also many years into the future.[1] In the meanwhile, as the years would pass, their parks' homeowners would not be able to sell

[1] In the June 2007 issue of the WMA reporter, two of the representatives from the law firm now representing the owner of Mesa Dunes in this current conversion, Richard Close and Susy Forbath, wrote an article promoting conversions. They promoted that park owners who were "tired of rent control" and "looking for an exit strategy" to escape local rent control could use subdivision conversions to do so. They explained that if park owners subdivided their parks now it would immediately increase the value of their parks by eliminating rent control in the future. Mr. Close and Ms. Forbath then explained how park owners could then chose to "not offer the lots for sale at this time" but wait until a future date and then "sell all of the lots to a new community owner" to capture the increased value of the Park due to eliminating rent control for future. *See* enclosed June 2007 - WMA Reporter.(enclosed, Exhibit A)

their homes due to the approved pending conversion and the park owners could slowly capture many of those homes through attrition.

Particularly, the Association has reached this conclusion because the Park owner has failed to either disclose the lot prices or to provide assurances that they will be fair and affordable to anyone who currently lives in the Park. However, a good indication of the likely future lot prices is that the Law Firm, who is now representing the Park owner in this conversion, utilizes an appraisal method, known as the "residual technique," to determine the price of the lots, which essentially transfers the "in-place market value" of the homes, belonging to the residents - homeowners, to the price of the lots, making those lot prices unfair and unaffordable to most current residents of the park.[2] Even worse, one of the attorneys from that law firm, Richard Close, has conducted at least one workshop in which he promotes this form of conversion as a method in which a park owner or real estate speculator can take a park that they purchased for "$70,000 a space" and then immediately turn a huge profit by subdividing it and forcing the homeowners to buy their spaces for $200,000 per space. (*See* footnote number 2) If those homeowners cannot afford that price, the Park owner can simply wait until their statutory rent control runs out, or their personal circumstances cause them to have to move from the park, and, at that time, the park owner can sell all of their lots to outside purchasers.

The Association has asked me to write to you today because the Park owner has served my clients with a 60 day - Notice that he will very soon be filing a tentative subdivision map application (the Application) with your department to convert the Park to a resident owned subdivision. For the reasons that will be documented in this letter, that Application will undoubtedly be incomplete and will not be in compliance with either the controlling conversion statute (Government Code Section 66427.5)[3] or California's Housing Element Law, which both require certain information to be filed with the Application for it to be complete and for it to be permitted to be processed. In that regard, when you receive that Application, we urge your department to carefully examine it and to then reject it as being epincomplete, not process it and not set a hearing on it until the Park owner files a new application that is complete for the reasons that will be explained below.

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[2]. *See* Question and Answer No 2 to the enclosed informational flyer "The Seven Most Critical Answers Regarding the Proposed Conversion of Mesa Dunes Mobile Home Park That You Need to Know to Save Your Home**"** (enclosed, Exhibit B) Also see the enclosed selected pages from the PGP Valuation Inc., Complete Summary Appraisal Report, El Dorado, Mobile Country Club, prepared for Richard Close of Gilchrest and Rutter, which explains the "residual technique" and how it unfairly transfers the "in-place market value" of the manufactured homes in a subdivided manufactured home park to the price of the lots (enclosed, Exhibit C).

[3]. Unless otherwise stated all "Section" citations shall be to the California Government Code.

I. The Application Must Be Rejected as Being Incomplete Because the "Survey Results" filed with it Were Not Obtained through a Resident Support Survey Conducted Under an Agreement with the Mesa Dunes Homeowners' Association Nor Were They Obtained Through a Written Ballot, as Both Are Required by Government Code Sections 66427.5(d)(2) and (3).

The Park Owner's Application is incomplete and cannot be processed because it does not contain the results of the required "survey of support of the residents for the proposed conversion," which were obtained under an agreement with the Mesa Dunes Homeowners' Association and because it was also not undertaken through a "written ballot" as required by subsections (d)(2) and (d)(3) of Section 66427.5:

> "**66427.5 At the time of filing a tentative or parcel map** for a subdivision to be created from the conversion of a rental mobilehome park to resident ownership, the subdivider shall avoid the economic displacement of all nonpurchasing residents in the following manner:
> ///
>
> (d)(1)The subdivider shall obtain a survey of support of residents of the mobilehome park for the proposed conversion.
>
> (2)The survey of support shall be **conducted in accordance with an agreement between the subdivider and a resident homeowners' association**, if any, that is independent of the subdivider or mobilehome park owner.
>
> (3)The survey shall be **obtained pursuant to a written ballot**.
>
> (4)The survey shall be conducted so that each occupied mobilehome space has one vote.
>
> (5)**The results of the survey shall be submitted to the local agency upon the filing of the tentative or parcel map**, to be considered as part of the subdivision map hearing prescribed by subdivision (e). *See* Government Code Section 66427.5 and 66427.5(d).

This was not done, so it will be impossible for the Application to comply with these two requirements until a new survey, which complies with them, is undertaken. On June 24, 2013, the Park owner did distribute a "Survey of Residents." (*See* enclosed "Survey of Residents," and its attached June 24, 2013 - cover letter, enclosed as Exhibit D) However, this "Survey of Residents" does not comply with Government Code Section 66427.5(d) because it both was not conducted under "an agreement between the

subdivider and a resident homeowners' association" and because it was also undertaken as a "questionnaire - survey," rather then being a "written ballot." Id.

A. The Park Owner's "Survey of Residents" Was Not Conducted under an Agreement with the Mesa Dunes Homeowners Association, So its Results Are Invalid and the Park Owner's Conversion Application Is, Therefore, Incomplete and Must Not Be Processed.

The Park owner's "Survey of Residents" was not "conducted in accordance with an agreement between the subdivider and a resident homeowners' association," here, with the Mesa Dunes Homeowners Association, so it does not comply with Section 66427.5(d)(2).

Subsection(d)(2) of Section 66427.5 requires an agreement with the Association, in which the Association has an equal say with the Park owner in the wording of the ballot question and in the manner in which the balloting is to be conducted. This did not occur. Instead, a questionnaire style survey, entitled "Survey of Residents," was put together entirely by the Park owner's attorneys without first obtaining that agreement and without even consulting with the Association. Then, during two informational meetings on June 17, 2013[4], one of the Park owner's representatives, Susy Forbath, from the law firm, Gilchrist and Rutter, representing the Park owner in this conversion, told the residents that the residents would be immediately receiving this questionnaire style - "Survey of Residents" in another seven days *(i.e., on the following Monday, June 24, 2013)* and that she would be meeting with the Association's Board the next day *(on June 18, 2013)* to explain the Survey to them. (*See* para. 3 of p. 1 of August 26, 2013-McMahon to Bench Ltr., Exhibit E to this Letter.) Ms. Forbath made this statement even though the Association's Board had not seen and had no knowledge of that "Survey," had not agreed to meet with her, had no advanced knowledge that the Park owner would be conducting the survey or its contents, had not been told that, under Section 66427.5(d)(2), that it had to be conducted under an agreement with them and had not been told that the law required the Park owner to obtain a survey of resident support, demonstrating their support for the conversion, through a written ballot. (*Id.,* at para 3 of p. 1)

Near the end of those meetings, Ms. Forbath approached the president of the Association, Sharon McMahan, and, for the first time, told her that the Park owner was requiring Association's Board to meet with her on the very next day *(on June 18, 2013)* if they wanted to see the survey form that her firm would be sending out on June 24, 2013.

[4]The Park owner broke the Park into two sections and had the residents from each section attend separate informational meetings promoting the conversion on June 17, 2013.

(*Id.,* at para. 4 of 1 to para. 1 of p. 2). Ms. McMahan objected that the Association needed more time to properly call a Board meeting, to study the issue and to obtain legal advice. *Id.* Ms. Forbath responded by telling her that they had to meet with her on the next day because she "did not want to make another trip to Arroyo Grande" and that the Park owner had to "get this part of the conversion process completed immediately." *Id.* Accordingly, Ms. Forbath misled the Association's Board into believing that they had to attend this meeting without providing them with any advance notice, any time to seek legal advice to help them evaluate the proposed survey or to inform them of their rights under Section 66427.5 and without even providing them with a sample copy of the survey to evaluate before their June 18, 2013 - meeting with her. Thus, they were misled and coerced into coming to this June 18, 2013 - meeting both uninformed and unrepresented.

Then at her June 18, 2013 - meeting with the Association's Board, Ms. Forbath, for the first time, now distributed samples of the "Survey of Residents," which her law firm had prepared without first obtaining their written agreement on it. (*Id.,* at para. 2 of p. 2.) Ms. Forbath then told them that it was the survey form that would be sent out six days later on the following Monday, June 24, 2013, without informing them that the Park owner was first required to enter into an agreement with them, which would control both the contents of the support ballots and the procedures for conducting the balloting, that they had the right to be advised by legal counsel and to negotiate the entire contents of the ballot and the procedures for conducting the balloting and that the resident support survey had to be conducted as a "written ballot" rather than as an informational questionnaire. (*Id.* at paras. 3 to 4 of p 2).

At that meeting, one Association Board member did complain that the text of the "disclaimer paragraph" located on the bottom of both of the pages of the Survey of Residents was too small for any of them to read and Ms. Forbath replied that she would make it larger without informing them that Section 66427.5(d)(2) also required the Park owner to get the Association's approval for the entire survey form. (*Id.,* at para. 5 of p. 2) At the end of the meeting, Ms. Forbath even refused to allow Ms. McMahan keep a sample copy of the survey form to review and told her that one would be sent to her later.(*Id.* at para. 6 of p. 2.) Ms. McMahan and the Association then did not receive that sample copy of the survey form until June 21, 2013, which was only three days before the Park owner started the balloting on June 24, 2013. *Id.*

On June 24, 2013, the Park owner's attorneys then sent out the Survey of Residents with a cover letter that falsely claimed that the "form and conduct of the survey has been approved by the Board of Directors of the Mesa Dunes Homeowners Association," when, as shown above, it clearly had not. (*Id.,* at para. 7 of p. 2)

The above clearly represents a carefully orchestrated scheme that was intended to deprive the Association of any opportunity of obtaining the assistance of legal counsel to

help them review the survey form and to advise them on the balloting process and on their rights under Section 66427.5(d). This scheme was intended to deprive the Association of the any real input into the contents of the survey ballots or the balloting procedures rather than being a legitimate attempt to comply with the requirements of Section 66427.5(d)(2). Particularly, it was intended to deny the Association the opportunity to demand more time, which they could have demanded in the required resident support survey agreement, than the mere seven days that they were given before the survey would be mailed out, in order to allow the Association and the Park's residents a reasonable amount of time to educate themselves about the consequences of the proposed conversion before they started voting on it.

It can be assumed that the Park owner's attorneys intended to deny the residents their right to negotiate a lawful survey agreement under Section 66427.5(d)(2) because in every other conversion in which I have been involved with them they have always conceded that a written agreement was required under Section 66427.5(d)(2). For example, in the Alimur and Palo Mobile Estates attempted conversions they entered into the required written resident support survey ballot agreements with the HOAs from those parks. However, from their point of view, the problem that they faced in those other conversions, and that they would now also face here, was that, because of their intended use of the "residual appraisal technique" (see foot note 2 above), and their refusal to guarantee affordable lot prices that goes hand in hand with it, when they complied with the statute by entering into legitimate resident support survey balloting agreements, it then resulted in very high participation levels in those surveys (the average was an 80% return rate) but the residents also voted overwhelmingly against those conversions because they were unaffordable *(i.e., in Alimur Manufactured Home Park the results were 119 opposed to 2 in favor and in Palo Mobile Estates Manufactured Home Park the results were 82 opposed to 7 in favor).*

It appears, that the Park owner's attorneys' new scheme being attempted here is to quickly railroad a "Survey of Residents" through and manipulate a series of meetings to make it appear that they had first obtained a verbal agreement from the Mesa Dunes Homeowners' Association, when they had not. However, their above-described attempt to manufacture a "sham verbal approval" falls flat and clearly does not meet the requirements of Section 66427.5(d)(2). This means that their current "Survey of Residents" is not a valid "survey of support of residents" obtained under an agreement with the Association. Accordingly, the Application should be determined to be incomplete and not processed further until the Park owner obtains a valid agreement from the Association and then conducts and submits the results of a new resident support ballot, under that agreement, in compliance with subsection (d)(2).

II. The Application Must Be Rejected as Being Incomplete Because it Does Not Contain the Results of the Required "Survey of Support" That Was Obtained Through Written Ballot as Required by Government Code Section 66427.5(d)(3).

A second and independent reason that the Park owner's "Survey of Residents" does not comply with the requirements of Section 66427.5(d) is that it was not conducted through a written ballot as required by subsection (d)(3):

(d)(3)The survey shall be **obtained pursuant to a written ballot**.

A "written ballot" by definition has to make clear to the residents that they are casting a vote to make an irrevocable decision on the change of ownership of Mesa Dunes Manufactured Home Park from a rental park, under local rent control, to a resident owned subdivision. The Park owner's questionnaire style - "Survey of Residents" is not such a written ballot because it does not do this for multiple reasons. **First**, the June 24, 2013 - cover letter explaining the "Survey of Residents" actually described it as **not** being a ballot, in which the homeowners would be casting a vote to make a final decision on the conversion:

> "We understand that **you do not currently have enough information to make a final decision. The survey results will merely provide a preliminary indicator of interest. By providing the information requested in the survey you are not committing yourself to any decision with respect to a change in ownership**, including, without limitation, whether you want to rent or to purchase it. There is a change in form of ownership of the Park." (*See* para 3 of p. 1 of June 24, 2013 cover - letter accompanying "Survey of Residents" from Susy Forbath to "All Residents of Mesa Dunes," Exhibit B to this letter.)

Clearly, after reading that description, no resident would believe they were actually participating in a "resident support" - "written ballot" and that they would be casting their vote to make a "final decision" on whether or not Mesa Dunes would be converted from a rental manufactured home park, under local rent control, to a resident owned subdivision.

Second, the Survey's question on resident support contains multiple choice responses providing three "support" choices (1, 2, and 3), which are all selected by simply checking their boxes, and the selecting residents are not required to also provide a written explanation of why they selected those choices. (*See* page 1 of "Survey of Residents" attached as Exhibit B to this letter.) However, the Survey's "do not support" choice, number 5, requires the selecting resident to provide a written explanation of why they do not support the change of ownership. *Id.* That requirement gives the appearance to the residents that the Survey is just an informational questionnaire since they are being asked

to provide written answers. Clearly, a "written ballot" does not require the voter to provide a written answer with their choice. In that regard, page two of the survey contains eleven additional questions requiring written responses *(also see below),* further misleading the residents into believing that it is merely a questionnaire survey rather than a "ballot" in which they will be casting a vote to make a "final decision" on the change in the form of ownership of the Park. Additionally, since only the residents who select the Survey's "do not support" choice have to provide that written answer, and not the residents who choose any of the three "support" choices, it has the effect of intimidating those residents from making that selection. In that regard, in a true "wriiten ballot," voters must be free to choose any of the ballot choices without having to provide a written explanation for their choice.

Third, the survey form uses the title "Survey of Residents" rather than "Resident Support Ballot" and it also contains multiple questions seeking information, as an informational questionnaire would, rather than being in a true written "ballot." *Id.* Its resident support question is then only the first question of "Section I" of the Survey followed by "Section II" of the Survey which asks the residents to provide a great deal of additional written responses providing demographic information. (*Id.* at pp. 1- 2) That information is not required to be obtained in the "written ballot" required by Section 66427.5(d)(3) and it is inappropriate to be included in Section 66427.5(d)'s "resident support ballot" because it confuses residents and gives the false impression that the residents are merely participating in a questionnaire that is simply gathering information rather than that they are actually participating in a "ballot" that will result in the irrevocable approval of the conversion if a sufficient number of residents choose the Survey's "support' choices 1, 2 and 3.

Fourth, the Survey also contains a disclaimer, which is provided in capital letters at the bottom of both of its two pages, that, again, tells the residents that they are merely "providing information" for a survey and that they are **not** casting a vote to make an irrevocable "decision with respect to change of ownership" of the Park from a rental park, under local rent control, to a resident owned subdivision:

> "BY PROVIDING THE INFORMATION REQUESTED IN THIS SURVEY, YOU ARE NOT COMMITTING YOURSELF TO ANY DECISION WITH RESPECT TO THE CHANGE IN OWNERSHIP, INCLUDING, WITHOUT LIMITATION, WHETHER YOU WANT TO RENT OR TO PURCHASE IF THERE IS A CHANGE IN THE FORM OF OWNERSHIP OF MESA DUNES MOBILEHOME ESTATES." (*Id.* a pp. 1 - 2.)

For all of the above reasons, the Park Owner's "Survey of Residents" is not a survey of resident support conducted through a "written ballot." Accordingly, because

the Park owner's "Survey of Residents"does not comply with either of Section 66427.5(d)(2)'s requirement that it must be conducted under an agreement with the Association or with Section 66427.5(d)(3)'s additional requirement that it be conducted through a "written ballot," the Park owner has not complied with Section 66427.5(d)(5) further requirement that he must submit the "results of the survey" with "the filing of the tentative or parcel map." Accordingly, the Park owner's tentative map application is incomplete and must be rejected until the Park owner complies with those requirements.

In that regard, on July 26, 2013, on behalf of the Association, my office sent a letter to the Park owner' attorneys explaining these inadequacies, providing a proposed resident support ballot agreement and a proposed new resident support ballot for the Park owner to consider, and offering to enter into that agreement with the Park owner so a new and legitimate resident support ballot could be conducted. However, the Park owner has not responded to this offer. Accordingly, the Park owner's Application is clearly incomplete and must not be processed until the above two provisions of Section 66427.5 are complied with.

III. The Application Must Be Rejected as Being Incomplete Because the Park Owner Has Not Provided Any Information Demonstrating That the Proposed Conversion Is Consistent with the County of San Luis Obispo's Housing Element, and Other Aspects of the County's General Plan, as Required by the Recent California Supreme Court*'s Pacific Palisades* Decision and Fourth Appellate District of California's *Dunex* Decision.

In *Pacific Palisades Bowl Mobile Estates, LLC v. City of Los Angeles* (2012) 55 Cal.4th 783, the California Supreme Court held that, during the conversion of a rental mobilehome park to a subdivision, in addition to meeting the requirements of Government Code Section 66427.5 *(which it described as only controlling the specific requirements that a local jurisdiction could mandate to avoid the economic displacement of the current non-purchasing residents of a park)* that park owners also had to comply with California's statutes that are, instead, intended to preserve their low-income housing supplies *(i.e., California's Housing Element Law or the Mello Act, depending upon if the park was located in the coastal zone or elsewhere in the State)* because the two sets of statutes had different purposes, which did not conflict with each other. In *Pacific Palisades,* the Supreme Court examined the application of the Mello Act to a conversion taking place in the coastal zone and held that it had a different goal, from that of Section 66427.5, of maintaining an "adequate low and moderate income housing stock in the coastal zone for future residents" explaining that there was no conflict between that goal and Section 66427.5's goal of protecting the current residents and that both statutes had to be complied with:

"That Government Code section 66427.5, like the Mello Act, seeks to

> preserve affordable housing within the coastal zone does not render the statutes fatally incompatible. **Section 66427.5 establishes specific measures to avoid the economic displacement of all non-purchasing mobile home park residents** through notice, an opportunity to purchase, and measured rent increases. **Nothing requires either the subdivider or the purchasing residents to maintain or provide any low- or moderate-income housing stock. In contrast, the Mello Act requires a developer to provide replacement low- and moderate-income housing in order to maintain a variety of housing stock within the coastal zone. (Gov. Code, § 65590.) The statutes thus address different subjects: one protects current residents, the other maintains adequate low- and moderate-income housing stock in the coastal zone for future residents. There is no conflict between them."** *Id.* at p. 806

In reaching this conclusion, the Supreme Court concluded that the provisions of Government Code Section 66427.5 did not supersede the low and moderate income "housing stock" protections required by the Mello Act because the Mello Act was a supplement to California's Housing Element Law **and California's Housing Element Law "responds to a concern 'of vital statewide importance"** and that this heightened legislative purpose of the Housing Element law required both sets of statutes to be complied with. [Citation]." *Id.,* at p. 803 The Supreme Court's reliance on the purpose of California's Housing Element Law to support its conclusion that the Mello Act *(applicable only in the coastal zone)* was not superseded by the provisions of Section 66427.5 clearly means that the same "concern of vital statewide importance" underpinning California's Housing Element Law would likewise also be present to prevent the Housing Element Law, itself, from also being superseded by the provisions of Section 66427.5 in conversions that are located outside of the coastal zone.

This conclusion has again been voiced by Fourth Appellate District in its recent decision, reached only this past month, in *Dunex v City of Oceanside* [Fourth Appellate District, Division One D061579 (filed 8/13/13)]. (Courtesy copy enclosed) In the *Dunex* decision, the Court of Appeal obeyed *Pacific Palisades* and again ruled that the Mello Act was not superseded by the provisions of Government Code Section 66427.5 and it again emphasized the reason that it was not superseded was because it was a supplement to California's Housing Element Law and that California's Housing Element Law was not superseded by Section 66427.5 because it responds to a concern of vital statewide importance:

> "**The Supreme Court found that conversions were also covered by the Mello Act. By way of the housing elements law (§§ 65580–65589.8), the Legislature required that each local government adopt, as a component of its general plan, a "housing element," which**

> **"shall make adequate provision for the existing and projected needs of all economic segments of the community" (§ 65583). The Supreme Court found: "The Mello Act supplements the housing elements law, establishing minimum requirements for housing within the coastal zone for persons and families of low or moderate income.** [Citations.]
> /// ///
> After considering the express terms of section 66427.5 and its legislative history, the Supreme Court found that nothing in its provisions relieved local governments of their obligation to enforce the Coastal Act and the Mello Act when considering a mobilehome park conversion. "Significant state policies favor an interpretation of Government Code section 66427.5 that does not deprive the Coastal Act and the Mello Act of jurisdiction over land use within the coastal zone. As we observed earlier, the Coastal Act specifically recites that 'existing developed uses, and future development that are carefully planned and developed consistent with the policies of [the act] are essential to the economic and social well-being of the people of the state....' [Citation.] **Moreover, as the Court of Appeal recognized, the Coastal Act explains that the 'permanent protection of the state's natural scenic resources is a *paramount* concern to present and future residents of the nation.' [Citation.] The housing elements law, which the Mello Act supplements, similarly responds to a concern of vital statewide importance**.' [Citation.] (*Pacific Palisades*, *supra*, 55 Cal.4th at p. 803.) See p 10 of *Dunex v City of Oceanside,* Fourth Appellate District, Division One D061579 (filed 8/13/13), Courtesy copy enclosed.

Accordingly, under the Supreme Court's *Pacific Palisades* decision and the Fourth Appellate District's subsequent very recent *Dunex* decision, the County is required to also determine if the proposed conversion of Mesa Dunes complies with California's Housing Element Law.

In that regard, California's Housing Element Law, at Government Code Section 65583(b)(1), requires all housing elements to contain a statement of a community's **quantified objectives for the <u>preservation</u> of its affordable housing stock:**

> "(b) (1) a statement of the community's **goals, quantified objectives, and policies relative to the** maintenance, **<u>preservation</u>**, improvement, and development **of housing**."

After that is accomplished, Government Code Section 65583(c)(4) then also requires all housing elements to contain programs to conserve the communities **existing affordable housing**:

....

"66853. The elemental shall contain all of the following:
(c) A program which sets forth a five-year schedule of actions the local government is undertaking or intends to undertake to implement the policies , goals and objectives of the housing element.... **the program shall do all the following:**

(4) **Conserve** and improve the condition of **the existing affordable housing stock,** which may include addressing ways to mitigate the loss of dwelling units demolished by public or private action."

In *Buena Vista Gardens,* the appellate court ruled that, under Section 66853, a program was a needed for the **"conservation of existing affordable housing opportunities** in the community." *See Buena Vista Gardens Apartment Assn. v. City of San Diego Planning Department* (1985) 175 Cal.App.3d 289 at 303. It then rued that programs were required that specifically conserved the low income housing contained in mobile home parks:

"In particular, as pointed out by the Department, there are no programs directed to how the city will encourage **conservation of mobile home parks** or will conserve the existing affordable apartment rental stock." *Id.*

Once the County has adopted the proper provisions in its Housing Element to provide for the "conservation of mobile home parks," it is required to determine whether or not all proposed subdivision map applications are consistent with those provisions and to reject any subdivision map that is found to be inconsistent because its housing element is a mandatory section of its general plan and a subdivision map must be disapproved if it is found to be inconsistent with the local jurisdiction's general plan:

"**No local agency shall approve a tentative map,** or a parcel map for which a tentative map was not required, **unless the legislative body finds that the proposed subdivision**, together with the provisions for its design and improvement, **is consistent with the general plan** required by Article 5 (commencing with Section 65300) of Chapter 3 of Division 1, or any specific plan adopted pursuant to Article 8 (commencing with Section 65450) of Chapter 3 of Division 1.

In compliance with the above requirements of California's Housing Element Law, San Luis Obispo County's current 2009 – 2014 Housing Element (Housing Element) contains an "Overall Goal" to "Achieve an adequate supply of safe and decent housing that is **affordable for all residents** of San Luis Obispo." (*See* p 4-1 of Housing Element.) It then sets a quantified objective of conserving 1,680 current low income to moderate income housing units. Id. at 4-2.

A key required sub-objective to assist in meeting the above two overall objectives is the Housing Element's Objective 2.0 that counts 2,420 existing units of affordable housing and calls for protecting existing mobilehomes as a key component for conserving these existing units of affordable housing:

> "Housing Element Objective 2.0:
> Facilitate the conservation, maintenance, and improvement of 2,420 existing units of affordable housing**.**
> **Conservation**, maintenance and improvement **programs include protecting existing mobile homes** and apartments and maintaining existing affordable housing." Id. at 4-3.

To further facilitate the protection of the County's mobilehome stock as an important source of affordable housing, the Housing Element adopted Policy HE 2.B creating a mobile home park land use category and its "Purpose" section makes a finding that the mobilehomes located in the County are a "vital component" of its affordable housing stock:

> "**Mobilehome parks provide affordable housing options to residents, and are a vital component of affordable housing stock** in the County." Id. at 4-28.

Later, the Purpose section of Policy HE 2.C of the Housing Element states that the County's stock of mobilehomes provide "much of the County's supply of affordable housing:"

> "Purpose: **Preserve the County's stock of mobilehome parks. Mobilehome parks provide much of the County supply of affordable housing**, consisting of approximately 2,600 mobile home spaces and 40 mobile home parks." Id. at 4-29

The Housing Element then, in its "Housing Needs Assessment," states that the County's mobile home parks are one of the few affordable housing options for the 14,718 elderly (65+) persons living in the unincorporated area of the county and that they are **only** affordable because of the County's Mobile Home Rent Stabilization Ordinance preserves their affordability:

> "Many elderly citizens live in mobile home parks. Mobile home parks are a significant part of the County's existing affordable housing stock, yet in the past, out of area companies aggressively campaigned the purchase and **conversion of some of the local parks into high-cost projects.... The county's mobile home rent stabilization ordinance protects renters**

from drastic space rent increases. Id. at 5-52.

As recognized in San Luis Obispo County's Housing Element, local mobile home rent control is the only mechanism that keeps the County's mobilehome parks affordable. However, under Government Code Section 66427.5, local rent control is eliminated and replaced by that statute's temporary rent-controls. *See* Section 66427.5(f). These "subsection (f) - rent controls" are temporary because they only apply to the Park's current residents and new residents must purchase a lot in the Park and cannot assume the current resident's Section 66427.5(f) rent controls. Accordingly, because of their temporary nature, the protections provided by Section 66427.5 do not make a conversion consistent with the above provisions of Housing Element if the post-conversion lot prices turn out to be unaffordable to low income households.

As explained above, the *Pacific Palisades* decision recognized this problem and held that section 66427.5(f)'s temporary rent protections did not also protect the park's affordable housing stock and ruled that the park owner would also have to demonstrate that a conversion also complied with the Mello Act *(for parks in the coastal zone)*. Applying the *Pacific Palisades* decision here, the Park owner is required to comply with the County's Housing Element's low income housing protection goals policies and programs because they are mandated by California's Housing Element Law *(for all other parks that are located outside of the coastal zone).*

However, the proposed conversion of Mesa Dunes could still be found to be consistent with the County's Housing Element's goals, policies and programs of preserving its low-income housing supply located in mobile home parks if the Park owner presents a plan to the County that satisfactorily demonstrates that, after the conversion, the resulting post- conversion combined prices of the lots and homes together would remain affordable.

However, the Park owner has not provided any of this information in his Conversion Application and does not even discuss whether or not his proposed conversion is consistent with the County's Housing Element. Accordingly, the Park owner's Application is incomplete for this additional reason and should not be processed until the Park owner presents additional information demonstrating whether or not the conversion is consistent with the above provisions of the County's Housing Element.

III Conclusion.

All three of the above reasons are each an independent reason that the Park owner's application is incomplete and should not be processed until the lacking information is provided. Accordingly, the Association, respectfully, requests that the Planning Department finds the Application to be incomplete and does not further process

it until the Park owner submits a new application that is in compliance with the above provisions of both Sections 66427.5(d)(2) and (d)(3) and with the County's Housing Element.

Please feel free to contact me if you have any questions or need further documentation.

Sincerely,

/S/

William J Constantine

June 2007 WMA reporter

Conversion to resident ownership:

Does it make sense for you?

by Richard H. Close, Esq. and Susy Forbath

Richard H. Close, Esq.

Would you like to unlock the hidden value of your property? Would you like to realize the value of the land rather than the manufactured home community's cash flow value? Is your community governed by local rent control? Are you tired of rent control litigation? Are homes in the nearby neighborhoods selling for more than $500,000? Are you looking for an exit strategy?

If you answered yes to any of these questions, then your solution may be a subdivision of the community. There is a state statutory method by which manufactured home communities are subdivided into individual lots. The lots are then sold to the residents. This process is known as *conversion to resident ownership.*

Subdivision is one of the few methods by which you can recapture the market value of your land as well as bring rents for non-buying, non low-income residents up to market value.

What is the market value of the lots? How does it compare to the lot value in a rental community? The answers depend on the location of your community and the value of "stick built" or site-built homes in the area. We have seen situations in which $80,000 per space rental communities are worth $200,000 per space when subdivided. A 200-space rental community worth $16 million could be worth $40 million when subdivided.

Converting to resident ownership

The city process is by means of a one-lot subdivision with a condominium overlay through a tentative parcel or tract map (the Entitlement Process). In order to encourage community conversions to resident ownership, state law restricts the authority of cities. They must approve the subdivision if the state rules are followed, and they cannot impose expensive conditions.

After approval by the city and by the California Department of Real Estate (DRE), each resident has an opportunity to purchase his or her lot at its fair market value. The buyers also obtain an undivided interest in the community's common areas, including clubhouse, recreation facilities, and roads.

No resident is required to buy his or her lot. They may stay and continue to rent their space from the community owner.

Upon the sale of the first lot, local rent control is replaced by state rent control. For non low-income residents, state law provides that the pre-conversion rents will be raised to market level in equal increments over a four-year period. After that, there are no restrictions on the rent.

For low-income residents who decide not to purchase their lot, their rents will increase annually by the Consumer Price Index (CPI). If a low-income resident wants to purchase their lot at its market value, the state has a financing program that will provide a loan up to 95 percent of the price at an interest rate of 3 percent amortized over 30 years. In many cases the loan payments are deferred until the resident sells the home and lot.

Under this State MPROP program, low-income residents often buy their lot and pay less each month than their existing rent.

When a non-purchasing resident later sells his or her home, the buyer must buy the lot from the community owner at its market value. In this manner, the entire community will eventually become resident owned. In the meantime, you as the owner of the unsold lots, continue to realize the increased land values of those lots.

Cities and counties benefit from the increase in property tax revenues, which is generated as lots are sold. Also, the subdivision of the community eliminates rent control litigation between owners, residents, and municipalities because local rent control no longer applies to the property.

When communities transition from rental to resident ownership, cities and counties are still preserving affordable housing while providing the opportunity for residents to have a choice between affordable rental or purchase housing.

The conversion provides residents with the opportunity to acquire an ownership interest in the community, which certainly would not otherwise occur. So why do certain individuals oppose conversions?

Non low-income residents, who do not want to buy their lots, do not like the fact that under state rent control their rents will increase to market. Although low-income residents are provided the security of rent protection and the opportunity to purchase their lots with state-funded loans, some non low-income residents try to scare elderly low-income residents into believing they are going to lose their homes if conversion occurs.

However, many seniors and young families residing in manufactured home communities want the opportunity to purchase their lot. Seniors see the purchase as enhancing the value of their home and having an asset to pass on to their heirs. Young families see it as the only way they can have an investment in California real estate that they otherwise could not afford. Unfortunately, their voices are being drowned out by the few, but very loud, higher income residents who will do anything to preserve their rent protection and the artificially inflated value of their homes that the rent control creates.

At the time of this writing, the State Legislature is considering proposed legislation that would make the subdivision process more difficult. WMA is lobbying on your behalf, if not to reject the proposed legislation, at least to amend it. We encourage all community owners to write, call, or email their State Assembly members and Senators. Voice your opposition to both SB 900 and AB 1542.

Resident groups throughout the state also are opposed to the proposed legislation; they want to buy their spaces. They want the process made easier to encourage community owners to do a conversion.

The existing law provides a statutory scheme for community owners to subdivide their manufactured home communities, allowing you to recapture the value of your land. Many community owners are subdividing their communities now and selling lots to residents who want to buy now.

Other owners are subdividing now but not offering the lots for sale at this time. At a future date, when they want to sell the community, they will sell all the lots to a new community owner or sell them individually to community residents.

Subdividing your community is an option to maximize its value. The process benefits the community owner, residents, and the city in which the community is located. It is a win–win–win.

*This article was first published in the June 2007 WMA Reporter.

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Attorney Richard H. Close and Paralegal Susy Forbath are with the law firm of Gilchrist & Rutter in Santa Monica, California. They focus on mobile home park issues with a specialization in subdivisions. Richard H. Close was the lead attorney in the *El Dorado v. Palm Springs* case that established the right of owners to subdivide their parks.

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THE SEVEN MOST CRITICAL ANSWERS REGARDING THE PROPOSED CONVERSION OF MESA DUNES MOBILE HOME PARK THAT YOU NEED TO KNOW TO SAVE YOUR HOME

Question No. 1: Our park owner and the conversion blog have provided their answers to several dozen questions regarding the conversion. All their answers paint a rosy picture and are very confusing. So, what are the most important questions and answers that I should be considering in making my decision to support or oppose the conversion?

Answer No. 1: To start with, the most important question that you should be considering should be "Is the price of my lot going to be fair and affordable to me?" The reason for this is that once the conversion is approved by the County, you are going to be stuck with that price!

If your lot price later turns out to be unaffordable then there will be no way to overturn it. The Park owner's representatives and the conversion - blog tell you "not to worry" that you can just continue to rent. However, that is only half the story. Although it is true that if you are low income you can continue to rent and be protected by state rent control as long as you live in the Park, when you go to sell your home then the person buying it will have to buy your lot as they will not be able to assume your post- conversion State rent control. If your lot is unfairly priced and too expensive, then that purchaser will not have enough money to pay for the lot and also pay you what your home is worth and this could you to lose your entire investment in your mobilehome! If you are moderate income or above, then your new State rent control will be quickly phrased out over four or five years and you could end up losing your home much sooner (See Question 3).

Question No. 2: But, the Park owner has promised that he will use a fair, licensed appraiser to determine my lot price, and that the appraiser's reputation will be on the line. Won't that guarantee that my lot's price will be fair and affordable?

Answer No. 2: No, it Will Not! This is because it depends on the appraisal method that will be used. The law firm that is undertaking this conversion for your Park owner has used what they call the "residual method." They used it at their most famous El Dorado MHP Conversion.

Their Appraisal Report from the El Dorado conversion states that their "residual method" takes the comparable prices that lots and mobilehomes, combined, were selling for in comparable, already subdivided, parks and then simply subtracts from it a home's blue book value *(a.k.a. the home's off-site or salvage value)* and "$6,000" in setup costs to determine the lot prices. For example *(from a comparable actually used from their El Dorado appraisal)* a lot and home that had sold for $160,000 had $25,348 *(blue book value plus $6,000)* allocated to the home and $135,652 to the lot. In this example, the "in-place market value" of that home, protected by local rent control, was likely $100,000 *(i.e., that is the likely amount that the homeowner could have sold their home if they sold it prior to the date that the conversion was announced)* and the pre-conversion sale value of the lot was likely

EXHIBIT B

$60,000 *(i.e., that is the amount that the park owner would have likely paid per lot if they had just purchased the park as a rental park, providing him with a fair return under rent control).*

So this method transfers most of the "in-place market value" of the home to the lot and makes the homeowner repurchase it! The park owner's investment in that lot was only $60,000, as a rental mobile home park, yet using this "residual method" he was able to capture most of the home's in-place value then sell it back to the homeowner for $135,652, making a quick profit of $75,652!

As explained in No. 1 above, if the homeowner cannot afford that amount, and they are low income, then they can continue to rent under state rent control and will not be immediately evicted. However, when they later go to sell their home, the person buying their home will not be able to assume their rent control and will have to purchase their lot for $135,652. So the Park owner does not have to worry about whether or not the current homeowner - resident of the park can afford their own lot because, eventually, he will get the $135,652 from whomever subsequently purchases the home from that homeowner or who purchases the empty lot if the home is removed. However, at that lot price, the future purchaser of the home will not be willing, or able, to also pay the homeowner the $100,000 that the homeowner has invested in their home since the lot and home together are only worth $160,000. Instead, the purchaser will only be willing to pay that homeowner $25,348 for the home. A copy of the relevant pages of El Dorado's "residual appraisal" is available from your Homeowners Association, if you wish to see this for yourself.

Although, this method will be devastating to you, the homeowner, it will allow the Park owner to make an incredible profit, using those same "residual appraisal" mathematics. In fact, one of the attorneys from the law firm representing your Park owner in this conversion, Richard Close, used those mathematics in a workshop that he conducted where he actually promoted these very same consequences but from the speculators'/ park owners' point of view. At that workshop, Mr. Close promoted *(obviously, in reliance on this "residual appraisal method" for determining the sales price of subdivided lots,)* that a park owner or real estate speculator could purchase a 200-space park at $70,000 per lot (a total purchase of $14 million) and then immediately subdivide it and force the homeowners to purchase their lots for $200,000 per lot and achieve $40 million in total lot sales revenue when they sell the park's lots, making an immediate profit of $26 million. This is what he had to say:

> "**A normal price nowadays for a mobilehome park is maybe $75,000, $80,000 because they're being purchased based upon their cash flow, based upon their net operating income. So, an owner either buys a park or owns a park that's own-, that's worth $75,000 a space. If they can convert the property to a subdivision and sell the lots, what we're seeing is, in nice areas, that the spaces are worth between $200,000 and $250,000 a space.**
>
> **So, let's assume that the average mobilehome park is 200 spaces, so it's worth say $70,000 a space as a rental park, that's $14,000,000. Let's**

> **assume it's worth $200,000 as a subdivided park, times 200, that's $40,000,000. So, the difference between the $40,000,000 and the $14,000,000 is $26,000,000. So... [audible laugh by Richard Close followed by responsive." laughter from the audience] Do I have your attention?"**
> *[Richard Close speaking at a workshop entitled "Mobile Home Park Subdivisions, the Laws, the Politics, the Players" put on by him and Catherine Borg, Legislative Advocate for the Western Manufactured Housing Communities Association, at the 26th Annual Real Property Retreat. From From Track Numbers 21-28 of a subsequent Continuing Education of the Bar CD, produced from that workshop.]*

Of course, that $26 million profit, represents the combined transfer of the "in-place market values" of all of the park's mobile homes *(i.e., the homeowners combined investments in their homes)* to the park owner.

Question No. 3: In your Answer to Question No. 2, you mentioned that low-income homeowners will be protected by state rent control as long as they live in the park. Will moderate income residents of the Park, who cannot afford to purchase their lots, also be protected?

Answer No. 3: No, moderate and above income homeowners will not receive the same post-conversion rent control as income homeowners will. Instead, state conversion law allows the park owner to increase their rents in four equal amounts to "market rents," determined solely by an appraiser hired by the park owner, over a four - year period. After that, their rent control ends. Your Park owner has promised to extend that time period to five years. However the problem is that regardless of it taking four years or five years their rent will be raised to "market rents" and then after, that time period expires, there will be no rent controls at all and your Park owner will be able to charge whatever rents he wants. Since your Park owner, will be able to make a huge profit by selling their lots to someone from outside of the Park, if the moderate and above income homeowners cannot afford these rent increases and leave the Park, there will be a very strong incentive for them to charge you an unaffordable rent at the end of that phase out period, regardless of whether it is four years or five years.

In fact, in El Dorado, many moderate income homeowners could not afford the rents after one or two of these phase-out rent increases and sold their homes for practically nothing, or moved them out of the park. That is one reason why there are so many empty spaces in El Dorado.

Question No. 4: I am low-income and the Park owner has stated that State provided MPROP - 30 year loans at 3% interest will be available for me to purchase my lot with. Won't that care of my purchase, even if my lot price turns out to be higher then it should be?

Answer No. 4: No, MPROP has only $8 million available for all conversions statewide. That money has to be divided among all of the parks, who qualify, that are being purchased

by their residents throughout the State of California. Additionally, even if the maximum amount of the MPROP funds do become available to Mesa Dunes, they are limited to two million dollars per mobilehome park. So, even if only one third of the households in Mesa Dunes end up qualifying for these low income MPROP loans, and Mesa Dunes is lucky enough to receive the park wide two million dollars MPROP - maximum, then the per low-income household MPROP - loan would be only $20,000 per homeowner *($2 million /100 low-income households)* However, if the lots are sold for between $ 160,000 and $200,000 per lot, then those promised MPROP funds will be entirely insufficient.

Question No. 5: I am not low income but the Park owner's representatives have stated that after the park is subdivided, I can get a "real property" loan for a much longer time period then my current mortgage *(they stated I could get a 30-year loan)* at a much lower interest rate. Won't that take care of my purchase even if my lot is overpriced?

Answer No. 5: No, not if you also have a current mortgage on your mobilehome**.** The reason for this is that if you have a current mortgage then you have already pledged your home as collateral for your existing mortgage so the purchase price of your lot will have to be rolled into the loan balance of your existing mobilehome purchase mortgage. If the Park owner uses the "residual appraisal" method, explained in the answer to question 2 above, then the combined price of the lot, $135,652 in that example, will have to be added to your existing mortgage, which was very likely taken out on the in-place value of your home, $100,000 in the example. So, if the price of your lot is rolled into your current mortgage, then your new mortgage will have to be for $235,652, from that example. However, the bank regulations will not permit your bank to make that large of a loan because they will be prohibited from lending any amount that exceeds the value that your lot and home together would sell for on the open market, $160,000 in that example.

Question No. 6: When, I, and many other homeowners, filed out the Park owner's "Survey of Residents" we selected the choice that we supported the change of ownership to a resident owned park "but will need financial assistance to be able to purchase my unit." Doesn't that mean, that if adequate financial assistance turns out to be unavailable, that our selections will be counted against the conversion and it will not be approved? Doesn't that protect us?

Answer No. 6: The County will be required to approve or disapprove of Mesa Dunes' conversion application based on resident support survey results many months before you will find out what your lot price is going to be and if there will be adequate and affordable financing available. In other parks in which your Park owner's current attorneys have handled the conversion, the park owners have reported those surveys' "I will need financing" choices as unconditional votes of support and one appellate court has ruled that they must be counted that way. Accordingly, the conversion can end up being irrevocably approved based on a high number of "I will need financing" survey choices and it can end

up going through even if the lots turn out to be unaffordable and adequate financing turns out to be unavailable to enable you to purchase your lots.

Question No. 7: I wish I had this information before I responded to the Park owner's June 24, 2013- Survey but I did not. Also, we were told by our park owner's representatives that the survey was just a formality and that it did not matter. Is there anything we can still do? Can we retract our survey selections in support of the conversion?

Answer No. 7: Yes, there is a great deal that you can now do. The statue that regulates the conversion of mobilehome parks to resident owned subdivisions, required your Park owner to have conducted the resident support survey under an agreement with a resident homeowners' association that is independent of your Park owner. Your Park owner did not do this. The Association's attorney has already sent your Park owner's attorneys a very detailed letter explaining why their June 24, 2013 - Survey does not comply with this statutory requirement and was also very deceitful. The Association's attorney's letter also provided your Park owner with both a new proposed survey agreement and a new proposed survey ballot, which are more accurate than the June 24, 2013 - Survey, and has demanded that your Park owner participate in a new survey that complies with the law. Your Park owner has not responded yet. So, please support your Association

The Association will also be asking people who voted in the June 24, 2013 - survey, without being fully informed of the consequences of their choices, to sign statements retracting their survey responses. If you would like sign one of these statements, then please contact any one of the representatives of the Association who are listed below. If the Park owner does not agree to conduct a new survey ballot, then your Association will, among other arguments, present these statements as evidence to the County that your Park owner's June 24, 2013 - Survey was unlawful and that the conversion cannot be approved based on that Survey.

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REAL ESTATE APPRAISERS & CONSULTANTS

COMPLETE SUMMARY APPRAISAL REPORT

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SALES COMPARISON APPROACH

This approach is based on the principle of substitution. This principle states that no one would pay more for the subject property than the value of similar properties in the market. In active markets with a large manufactured housing lots are similar comparables, this approach is generally considered to be a good indicator of value. The market value of the subject property will be estimated by comparing sales to the subject property on a price per lot basis.

The Price Per Lot method is based upon the physical characteristics of the lots at the subject property. Care must be taken in the comparable selection process. Primary consideration is given to the comparables with similar lot size, recreational amenities (in the subdivision), and overall location.

Selection of Comparables - As indicated earlier in this report, there is a limited supply of manufactured housing subdivisions available in the Palm Springs and surrounding areas. There are other manufactured housing subdivisions located throughout Southern California. However, comparable sales in the subdivisions located outside of the Palm Springs area would require an inordinate number of adjustments, reducing the reliability of the data as indicators of value for the lots. Therefore, emphasis was placed on the manufactured housing subdivisions in the Palm Springs area, including Portola Country Club and Palm Desert Greens, located east of the subject in Palm Desert, and Tri-Palm Estates, located north of the subject in Thousand Palms. Blue Skies is not utilized, for reasons previously discussed. The comparables are considered to be the most recent and most similar to the subject.

The best comparables for the subject property are individual retail lot sales in the subdivisions listed above. There are only a few lot listings currently available (all at Tri-Palms Estates). In addition, there have been very few actual lot sales at these subdivisions over the last several years, resulting in a limited, almost nonexistent, data set upon which to make a value conclusion. However, the limited lot sales and lot listings are included in this analysis. In addition, manufactured home/lot sales within these subdivisions were researched. We utilized a residual technique to determine the value attributable to the lot from the home/lot purchase price. Essentially, we estimated the book value (wholesale) value of the manufactured home and deducted it, as well as the costs to set the home, from the total sale price of the home/lot. The remaining or residual value is the retail value attributable to the lot. This method is considered appropriate based upon the very small number of comparable lot sales. In summary, current lot listings, actual lot sales (although very limited), and the residual lot value (described above) are all utilized in estimating the retail lot values for the lots at the subject property.

The book value for each home was estimated utilizing the national edition of the Manufactured Housing Appraisal Guide, published by the National Automobile Dealers Association (NADA) for the fourth quarter of 2002. This publication is utilized nationwide and is widely accepted. Each of the comparable home/lot sales was visually inspected. The estimated book value for each home was adjusted for location (California), age, quality, condition, overall site improvements, and the overall quality of the subdivision in which it is located.

Adjustments - The comparables have been adjusted for property rights conveyed, financing terms and conditions of sale. Quantitative adjustments are utilized in this analysis. The lot sales are grouped by the subdivision in which they are located and an overall range and average lot price are indicated. The range and average lot price for each subdivision is then adjusted to the subject property based upon differences in location, amenities, and the overall condition and appeal of the subdivisions. These adjustments are described on page 25 of this report.

COMPARABLE SUMMATION TABLE

Palm Desert Greens

SALE INFORMATION					LOT VALUE ESTIMATE						
LOT ADDRESS	MANUFACTURER	MODEL	YEAR BUILT	SALE DATE	SALE PRICE (Incl. Home & Lot)	Less	BOOK VALUE OF HOME	Less	MOVING/SET UP COSTS	Equals	RESIDUAL RETAIL LOT VALUE
39403 Ciega Creek Drive	N/A	N/A	N/A	4/27/1999	$47,700	-	$0	-	$0	=	$47,700
73736 Desert Greens	N/A	N/A	N/A	3/21/2002	$75,000	-	$0	-	$0	=	$75,000
39286 Manzanita Drive	N/A	N/A	N/A	9/22/2000	$78,000	-	$0	-	$0	=	$78,000
73430 Dersert Greens	Hallmark	Saratoga	1980	5/14/2002	$152,750	-	$27,816	-	$6,000	=	$118,934
73480 Desert Greens	Silvercrest	N/A	1977	5/24/2002	$134,000	-	$24,243	-	$6,000	=	$103,757
73120 Desert Greens	Silvercrest	N/A	1987	7/22/2002	$150,000	-	$43,325	-	$6,000	=	$100,675
38241 Desert Greens	Goldenwest	N/A	1978	7/12/2002	$126,000	-	$32,391	-	$6,000	=	$87,609
38161 Desert Greens	Barrington	N/A	1978	7/12/2002	$159,900	-	$14,844	-	$6,000	=	$139,056
38410 Desert Greens	Lancer	N/A	1982	5/15/2002	$147,500	-	$33,518	-	$6,000	=	$107,982
39795 Manzanita	Fleetwood	Barrington	1975	7/11/2002	$140,000	-	$17,238	-	$6,000	=	$116,762
39796 Manzanita	Lancer	N/A	1977	5/10/2002	$165,000	-	$38,395	-	$6,000	=	$120,605
39070 Manzanita	Lancer	N/A	1978	10/2/2002	$165,000	-	$34,316	-	$6,000	=	$124,684
39405 Manzanita	Santa Anita	Citation	1973	5/10/2002	$168,800	-	$28,809	-	$6,000	=	$133,991
39858 Black Horse	Ramada	N/A	1989	7/12/2002	$252,000	-	$32,056	-	$6,000	=	$213,944
39755 Black Horse	Goldenwest	Villa West	1982	3/29/2002	$165,000	-	$29,854	-	$6,000	=	$129,146
39796 Chimney Flats	Dual Wide	N/A	1972	7/9/2002	$137,500	-	$27,119	-	$6,000	=	$104,381
39174 Chimney Flats	Goldenwest	N/A	1983	8/29/2002	$159,600	-	$36,896	-	$6,000	=	$116,704
73461 Cabazon Peak	Kit	N/A	1973	6/27/2002	$135,000	-	$15,963	-	$6,000	=	$113,037
73615 Adobe Springs	Viking	N/A	1974	5/7/2002	$145,500	-	$28,285	-	$6,000	=	$111,215
73951 Oak Springs	Signature	N/A	1980	8/10/2002	$177,500	-	$38,844	-	$6,000	=	$132,656
74075 Oak Springs	Fuqua	N/A	1977	7/29/2002	$149,500	-	$22,471	-	$6,000	=	$121,029
74035 Oak Springs	Fuqua	Prestige	1979	9/4/2002	$140,000	-	$29,609	-	$6,000	=	$104,391
38601 Parker Ridge	Ramada	N/A	1978	5/6/2002	$122,000	-	$18,127	-	$6,000	=	$97,873
73671 Sawmill Canyon	Lancer	Lancer	1977	8/13/2002	$140,000	-	$30,111	-	$6,000	=	$103,889
73203 Palm Greens	Silvercrest	Howard Manor	1978	7/5/2002	$148,000	-	$33,537	-	$6,000	=	$108,463
39501 Palm Greens	Saratoga	N/A	1979	4/5/2002	$150,000	-	$25,140	-	$6,000	=	$118,860
39740 Palm Greens	Gill	N/A	1971	4/30/2002	$130,000	-	$8,632	-	$6,000	=	$115,368
73394 Haystack Mount	Western Homes	Bradford House	1986	6/13/2002	$125,000	-	$25,065	-	$6,000	=	$93,935
39903 Desert Angel	Lancer	N/A	1982	4/17/2002	$135,000	-	$34,941	-	$6,000	=	$94,059
73908 Seven Springs	Budger	N/A	1977	4/24/2002	$135,000	-	$30,111	-	$6,000	=	$98,889
39268 Warm Springs	Goldenwest	Goldenwest	1972	5/23/2002	$142,805	-	$27,478	-	$6,000	=	$109,327
73360 Indian Creek	Kaufman Broad	Baywood	1981	3/8/2002	$145,000	-	$33,334	-	$6,000	=	$105,666
73652 Oak Flats	Jefferson	N/A	1977	4/29/2002	$135,000	-	$18,348	-	$6,000	=	$110,652
73720 Oak Flats	Silvercrest	N/A	1977	5/30/2002	$147,000	-	$29,551	-	$6,000	=	$111,449
73377 Brown Rabbit	Silvercrest	N/A	1977	5/10/2002	$152,000	-	$29,863	-	$6,000	=	$116,137
73892 Line Canyon	Barron	Villa Santana	1977	4/10/2002	$158,000	-	$22,047	-	$6,000	=	$129,953
73511 Red Circle	Lapaz	N/A	1975	6/20/2002	$160,000	-	$18,348	-	$6,000	=	$135,652
38109 Story Creek	Commodore	Brookwood Villa	1980	5/17/2002	$160,000	-	$33,976	-	$6,000	=	$120,024
39245 Moranga Canyon	Dual Wide	Oceanside	1984	3/1/2002	$186,500	-	$25,778	-	$6,000	=	$154,722
39723 White Canyon	Dual Wide	N/A	1978	4/9/2002	$205,000	-	$38,138	-	$6,000	=	$160,862
68668 Fuller	Dual Wide	N/A	1978	6/11/2002	$205,000	-	$39,365	-	$6,000	=	$159,635
38201 Devils Canyon	Jefferson	N/A	1977	4/12/2002	$175,000	-	$20,339	-	$6,000	=	$148,661
38241 Devils Canyon	Silvercrest	Westwood	1999	3/12/2002	$210,000		$46,834	-	$6,000	=	$157,166
38061 Cabin	Silvercrest	Chalet	1989	3/21/2002	$250,000	-	$33,649	-	$6,000	=	$210,351
73731 Red Horse Canyon	Goldenwest	Villa West	1980	3/8/2002	$139,200	-	$25,633	-	$6,000	=	$107,567

Attachment 8

LAW OFFICES
GILCHRIST & RUTTER
PROFESSIONAL CORPORATION

WILSHIRE PALISADES BUILDING
1299 OCEAN AVENUE, SUITE 900
SANTA MONICA, CALIFORNIA 90401-1000

TELEPHONE (310) 393-4000
FACSIMILE (310) 394-4700
E-MAIL: sforbath@gilchristrutter.com

June 24, 2013

To All Residents of Mesa Dunes

Re: Conversion to Resident Ownership

Dear Resident:

As you know, we have begun the process of converting Mesa Dunes to a **resident owned community**.

When the subdivision process is completed, as a current homeowner you will have the opportunity to purchase the lot beneath your home, or you may continue to rent as a tenant. Ownership will be an option, not a requirement - *no one will be evicted.*

We understand that you do not currently have enough information to make a final decision. The survey results will merely provide a preliminary indicator of interest. By providing the information requested in this Survey, you are not committing yourself to any decision with respect to the change in ownership, including, without limitation, whether you want to rent or to purchase if there is a change in the form of ownership of the Park. The demographic results, particularly the income levels, will help us to determine how much State funding will likely be applied for on behalf of lower income buyers, as well as what rental protections should be considered as we move forward.

The form and conduct of this survey has been approved by the Board of Directors of the Mesa Dunes Homeowners Association. A self-addressed stamped envelope has been enclosed, or if you prefer, there is a box in the manager's office and you may just drop your survey (in a sealed envelope) there. Please make sure your space number is on the envelope.

In order for your survey response to be included in the final survey results, responses must be postmarked by July 10, 2013.

It is possible to support the conversion without an interest in purchasing your lot. If you ultimately choose to continue to rent after conversion, please remember that if you are a lower-income* resident, your rent will be protected for as long as you live in Mesa Dunes, *even if you currently do not reside under local rent control.*

*2013 Lower Income for San Luis Obispo County: 1 person household = $42,250; 2 person household = $48,250; 3 person household = $54,300; 4 person household = $60,300; 5 person household = $65,150

EXHIBIT D

Attachment 8

LAW OFFICES
GILCHRIST & RUTTER
PROFESSIONAL CORPORATION

Please call me if you have any questions.

Very truly yours,

GILCHRIST & RUTTER
Professional Corporation

Susy Forbath
Senior Paralegal, Mobilehome Park
Consultant

Enclosure

349853_1.DOCX
5158.003

EXHIBIT D

Attachment 8

Rec'd 6/1/13

MESA DUNES MOBILEHOME ESTATES

CA Gov't Code § 66427.5(d)(1) SURVEY OF RESIDENTS

This Survey requests information in two categories: (1) support for the Change of Method of Ownership, (2) demographics of your household. Each household should complete one (1) Survey and mail the completed Survey to Gilchrist & Rutter in the enclosed self-addressed, stamped envelope. If there are sections of the Survey for which you do not have information or do not wish to answer, simply skip those questions. No one in the Park will see the individual Surveys; however, local government agencies will receive the originals or copies of the Surveys. The only information that will be provided to resident households is a summary of the data gathered.

SECTION I.
Survey

The effect of a change of the method of ownership from a rental park to a resident owned community, as proposed, provides a choice to the resident households. Residents may purchase their condominium interest or may continue to rent the lot [space] on which their mobilehome is located. You can support the change of ownership to a resident owned park without a personal desire to purchase your lot. Pursuant to *California Gov't Code section 66427.5(d)(1)*, please check one box below:

1. [ ] I support the change of ownership of the park to a resident-owned park.

2. [ ] I support the change of ownership to a resident-owned park, but I am lower income and will need financial assistance to be able to purchase my unit. [See "Household Size & Income Level" chart on page 2].

3. [ ] I support the change of ownership to a resident-owned park, but at this time I believe that I would remain and rent.

4. [ ] I decline to respond at this time.

5. [ ] I do not support the change of ownership of the park to a resident owned park. If not, why: _____

_____

_____

_____

_____

_____

[348356_1.DOC/S16S.001]This Survey does not constitute an offer to sell a condominium unit or any other real estate interest in Mesa Dunes Mobilehome Estates. An offer to sell can only be made after the issuance and delivery of the Final Public Report along with all statutorily required documents, including, without limitation, the HOA Budget, the Purchase/Sale Agreement, the HOA Articles & Bylaws, and the Declaration of Conditions, Covenants & Restrictions (CC&Rs).

BY PROVIDING THE INFORMATION REQUESTED IN THIS SURVEY, YOU ARE NOT COMMITTING YOURSELF TO ANY DECISION WITH RESPECT TO THE CHANGE IN OWNERSHIP, INCLUDING, WITHOUT LIMITATION, WHETHER YOU WANT TO RENT OR TO PURCHASE IF THERE IS A CHANGE IN THE FORM OF OWNERSHIP OF MESA DUNES MOBILEHOME ESTATES.

SECTION II
Demographic Information

1. How many people [of all ages] live in your home?
   a. Number of Older Persons [65+] _____
   b. Number of Adults [18 & over]: _____
   c. Number of Children [under 18]: _____

2. Within which category does your household's total gross income, before taxes, fall? [check one box below]

HOUSEHOLD SIZE AND INCOME LEVELS

Check one Box	Income Levels	1 Person Household	2 Person Household	3 Person Household	4 Person Household
	Lower	$42,250 or less	$48,250 or less	$54,300 or less	$60,300 or less
	Moderate	More than $42,250 but less than $63,350	More than $48,250 but less than $72,400	More than $54,300 but less than $81,450	More than $60,300 but less than $90,500
	Above Moderate	More than $63,350	More than $72,400	More than $81,450	More than $90,500

3. Information on Your Mobilehome:
   a. Make/Model of Mobilehome: _____
   b. Year of Manufacture: _____
   c. Size of Mobilehome: _____
   d. Number of Bedrooms: _____
   e. Do you have a loan on your home? [ ] YES / [ ] NO
      If yes,
      i. What is the balance owed? _____
      ii. What is the monthly payment? _____

Date: _____ Signature: _____

Space # _____

Day Tele: _____ Eve. Tele: _____

This Survey does not constitute an offer to sell a condominium unit or any other real estate interest in Mesa Dunes Mobilehome Estates. An offer to sell can only be made after the issuance and delivery of the Final Public Report along with all statutorily required documents, including, without limitation, the HOA Budget, the Purchase/Sale Agreement, the HOA Articles & Bylaws, and the Declaration of Conditions, Covenants & Restrictions (CC&Rs).

BY PROVIDING THE INFORMATION REQUESTED IN THIS SURVEY, YOU ARE NOT COMMITTING YOURSELF TO ANY DECISION WITH RESPECT TO THE CHANGE IN OWNERSHIP, INCLUDING, WITHOUT LIMITATION, WHETHER YOU WANT TO RENT OR TO PURCHASE IF THERE IS A CHANGE IN THE FORM OF OWNERSHIP OF MESA DUNES MOBILEHOME ESTATES.

EXHIBIT D

Attachment 8

Sharon McMahan
765 Mesa Dr., Sp. 21
Arroyo Grande, CA 93420

August 28, 2013

Ted Bench, Planner III
San Luis Obispo County Planning Dept.
976 Osos Street, Room 300
San Luis Obispo, CA 93408

Re: Proposed conversion of Mesa Dunes Estates Manufactured Home Park

Dear Mr. Bench:

I am the president of the Mesa Dunes Homeowners' Association (the Association) and I am writing regarding the proposed conversion of Mesa Dunes Manufactured Home Park (the Park). On June 24, 2013, our Park owner's representatives distributed a "Survey of Residents" questionnaire under a cover letter that stated that the form and content of that survey has been approved by the Board of Directors of the Association. That statement is simply not true. Our Association did not approve of the form and content of that survey and the Park owner never obtained an agreement with us, governing that survey, as is required by Government Code Section 66427.5(d)(2).

On June 10, 2013, we received a notice that our Park owner's representatives would be conducting two meetings on June 17, 2013 regarding a plan that our Park owner had to convert the Park to resident ownership. It told us nothing about the required resident support survey or the agreement that they were required to obtain from us to conduct that survey.

On June 17, 2013, I, most of our Board of Directors, and many of the residents of the Park attended those two meetings and I actually attended both of them. At those meetings, one of the representatives, Susy Forbath, from the law firm, Gilchrist and Rutter, representing the Park owner in this conversion told us that we would be immediately receiving their "Survey of Residents" in another seven days *(i.e., on the following Monday, June 24, 2013)* and that she would be meeting with our Association's Board the next day *(on June 18, 2013)* to explain the Survey to them. She made this statement even though she had never contacted us about the survey and we knew nothing about it. In fact, our Association's Board had not agreed to meet with her, we had no advanced knowledge that the Park owner would be conducting the survey or its contents, we had not been told of the requirement under Section 66427.5(d)(2) that it had to be conducted under an agreement with us and we had not been told that the law required the Park owner to obtain a survey of resident support, through a written ballot, demonstrating our residents' support for the conversion.

During those meetings, Ms Forbath then told us that the survey "doesn't mean anything" and that it was "just a formality required by state law."

Near the end of those meetings, Ms. Forbath approached me, and, for the first time, told me that our Board was required to meet with her on the very next day *(on June 18, 2013)* if we wanted to see the survey form that her firm would be sending out on June 24, 2013. I objected to

her that we needed more time to properly call a Board meeting, to study the issue of the conversion and to obtain legal advice. Ms. Forbath responded by telling me that we had to meet with her the next day because she "did not want to make another trip to Arroyo Grande" and that she "could not wait because the Park owner had to get this part of the conversion process completed immediately."

At her June 18, 2013 - meeting with us, Ms. Forbath distributed a sample of the "Survey of Residents," to us, which her law firm prepared without first obtaining our approval. In fact, this was the first time that we had even seen their survey and, as I stated above, the night before was the first time we had ever even heard about this survey and we still knew nothing about it or about our rights in relation to it.

Ms. Forbath then told us that it was the survey form that would be sent out in six days on the following Monday, June 24, 2013 and she did not inform us that the Park owner was first required to obtain an agreement from us, which would control both the contents of the support survey ballots and the procedures for conducting the balloting, and that we had the right to be advised by legal counsel and to negotiate the entire contents of the survey ballot and the procedures for conducting it.

At this June 18, 2013 meeting, Ms. Forbath also did not tell us that this was a survey of resident support that was required to be conducted by a "written ballot" and that its results would decide whether or not the proposed conversion of our Park would be approved or rejected by our County. In that regard, we still believed that the survey was a mere formality that did not mean anything because that is what she told us the night before.

At that meeting, one Board member did complain that the text of a "disclaimer paragraph" located on the bottom of both of the pages of the Survey was too small for any of our senior citizen members to read and Ms. Forbath replied that she would make it larger without also informing us that Section 66427.5(d)(2) actually required the Park owner to get our approval for the entire survey ballot form.

After this meeting, I tried to keep the sample copy of the survey form so I could review it further and Ms.Forbath took it from me, told me that I could not keep it and then told me that another copy of the sample survey would be sent to me later. We then did not receive that sample copy of the survey form until June 21, 2013, which was only three days before the Park owner started the balloting on June 24, 2013.

On June 24, 2013, all of the residents of our Park received the "Survey of Residents" with a cover letter that falsely claimed that the "form and conduct of the survey has been approved by the Board of Directors of the Mesa Dunes Homeowners Association," when, as I have described above, we clearly had not approved it nor entered into the required agreement regarding it.

Sincerely,

Sharon McMahan

Sharon McMahan, President of the
Mesa Dunes Homeowners Association

Exhibit E